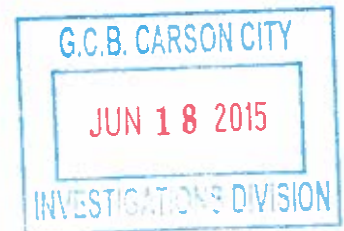
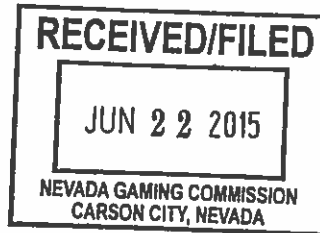


**Brownstein Hyatt  
Farber Schreck**



June 17, 2015

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Barry Chilton, Coordinator, Applicant Services  
State Gaming Control Board  
1919 East College Parkway  
Carson City, NV 89702-8003

RE: Petition to Adopt Proposed Nevada Gaming Commission Regulation 15C

Dear Barry:

Enclosed please find a Petition to the Nevada Gaming Commission to adopt a new regulation to provide a licensing framework for a "Private Investment Company" as defined in the proposed new Nevada Gaming Commission Regulation 15C ("Regulation 15C"). This proposed Regulation 15C targets large private equity funds and financial institutions who are currently, or who may in the future, utilize the "Votecco" licensing structure. The main purpose of the proposed Regulation 15C is to eliminate the requirement for a "publicly traded entity" in the Votecco licensing structure.

The proposed draft of Regulation 15C provided herewith is a result of a collaborative effort between my firm and the Board's Corporate Securities Division, and more specifically, Chief Michael LaBadie and Deputy Chief Marc Warren.

Please advise me when proposed Regulation 15C is scheduled for the Board's industry workshop.

If you have any questions concerning the Petition or the proposed Regulation 15C, please feel free to contact me.

Sincerely,



Frank A. Schreck

FAS:mlg

Enclosure – as stated above

cc: A.G. Burnett, Chairman  
Shawn Reed, Member  
Terry Johnson, Member  
Michael LaBadie, Chief  
Marc Warren, Deputy Chief  
Marie Bell, Executive Secretary

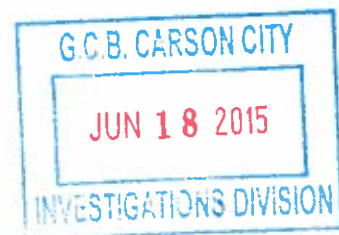
G.C.B. CARSON CITY  
DIV. OF INVESTIGATIONS

JUN 18 2015

REC'D APPLICANT  
SERVICES

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NEVADA GAMING COMMISSION



G.C.B. CARSON CITY  
DIV. OF INVESTIGATIONS

JUN 18 2015

REC'D APPLICANT  
SERVICES

Adoption of A New )  
Nevada Gaming Commission )  
Regulation 15C ("Private )  
Investment Companies") )

PETITION

COMES NOW, Brownstein Hyatt Farber Schreck, LLP, an interested person, pursuant to Nevada Revised Statutes 463.145(1)(d), and petitions the Nevada Gaming Commission ("Commission") to adopt a new regulation to provide a licensing framework for a "Private Investment Company" as defined in the proposed new Nevada Gaming Commission Regulation 15C ("Regulation 15C"). Regulation 15C targets private equity funds and large financial institutions. Attached hereto and incorporated herein as Exhibit A is a copy of the proposed Regulation 15C.

In order to provide a significant new source of financing and encourage investment in the Nevada gaming industry, the Commission took a bold step in January 1999 when it approved Colony Capital's acquisition of Harvey's Casino Resorts ("HCR"). Colony Capital is a private equity firm. Similar to other private equity firms interested in investing in the Nevada gaming industry prior to 1999, Colony Capital believed that Nevada's licensing requirements mandated that the private equity funds' limited partners would need to file applications to be found suitable as owners of their limited partnership interests in the private equity funds. The members of both the State Gaming Control Board ("Board") and the Commission recognized the importance of creating a new source of financing for the Nevada gaming industry. To that end, the Board recommended and the Commission approved the first "Votecco" licensing structure in the State of Nevada.

The "Votecco" licensing structure takes advantage of the distinction made in Nevada gaming law between a publicly traded corporation ("PTC"), as that term is defined in Nevada Revised Statute 463.487, and a privately held company. In respect of a company falling within the definition of a PTC in NRS 463.487, only those persons possessing a beneficial ownership of more than ten percent (10%) of the voting securities of a PTC are required to file an application and be found suitable (unless the beneficial owner receives a waiver as an Institutional Investor).

1 HCR was a PTC. Upon acquiring all of the shares of HCR, Colony Capital caused HCR  
2 to issue two classes of shares. One class of shares held all the voting rights (control) of HCR and  
3 was issued to a newly created entity called Colony HCR VoteCo, LLC ("Colony VoteCo"). The  
4 second class of shares had no voting rights but held all the economic interests related to HCR;  
5 these economic shares were issued to the Colony Capital private equity funds. There was no  
6 mandatory requirement for the Colony Capital private equity funds or their limited partner  
7 investors to be found suitable because licensing followed the voting shares. The individuals who  
8 owned Colony VoteCo had to be found suitable as shareholders and controlling shareholders of  
9 HCR, and Colony VoteCo had to be registered as a holding company. In order for the  
10 Commission to approve the "VoteCo" structure, the two individuals who controlled the Colony  
11 Capital private equity funds and were also the same individuals who owned Colony VoteCo, were  
12 subject to findings of suitability as a result of that ownership. With this licensing structure in  
13 place, the Commission investigated the two individuals who controlled both the Colony Capital  
14 private equity funds, and through their ownership of Colony VoteCo, HCR. The private equity  
15 funds, which were limited partnerships, and their limited partner investors were not subject to  
16 mandatory licensing, but the Board and Commission retained the authority to call any limited  
17 partner forward for licensing.

18 The Commission's belief that the approval of the "VoteCo" licensing structure would  
19 generate significant new sources of financing for the Nevada gaming industry not only proved  
20 true, but exceeded all expectations. Subsequent to the Commission's approval of the Colony  
21 Capital transaction, numerous private equity firms have invested in the Nevada gaming industry.  
22 Some of those transactions are as follows:

- 23 1. June, 2004: Colony Capital/Las Vegas Hilton
- 24 2. August 2004: Bay Harbour Management/Planet Hollywood Resort and Casino
- 25 3. September 2006: Oaktree Capital Management/Cannery Resorts Inc.
- 26 4. October 2007: Colony Capital/Station Casinos Inc.
- 27 5. December 2007: Apollo Global Management ("Apollo") & TPG/Harrah's  
28 Entertainment Corporation
6. November 2010: Onex Corporation/Tropicana Las Vegas
7. December 2011: Brookfield Asset Management/Hard Rock Hotel & Casino

- 1           8.     July 2014: Apollo/American Gaming Systems Inc.
- 2           9.     August 2014: Stockbridge Capital Partners/SLS Las Vegas
- 3           10.    December 2014: The Blackstone Group/The Cosmopolitan At Las Vegas

4           Based upon the success of the "Votecco" licensing structure for private equity investments,  
5 in 2006 the Commission took another step to encourage additional investment in the Nevada  
6 gaming industry by large financial institutions. Like private equity firms before the approval of  
7 the "Votecco" licensing structure, large financial institutions believed they were prevented by the  
8 Nevada gaming laws and regulations from acquiring substantial direct interests in Nevada gaming  
9 licensees. In June 2006, the Commission approved the use of the "Votecco" licensing structure by  
10 the Goldman Sachs Whitehall Funds (the real estate investment arm of Goldman Sachs) in their  
11 purchase of a 40% interest in the Las Vegas Hilton.

12           In the case of private equity firms, the Board and Commission required those individuals  
13 who controlled the private equity funds to be the owners of the "Votecco" entity and to file  
14 applications to be found suitable. In the case of the Goldman Sachs Whitehall Funds, the Board  
15 and Commission recognized that not only would the sheer size of Goldman Sachs make its  
16 licensing extremely problematic, but that the top executives at Goldman Sachs would not be  
17 willing to submit gaming applications. The Board and Commission determined that the top  
18 executives within the Whitehall Funds were actually the individuals who would be controlling the  
19 investment in the Las Vegas Hilton and be responsible for all interaction with the gaming  
20 licensee. Therefore, the Board and Commission felt comfortable in allowing the "Votecco"  
21 licensing structure to be utilized and directed those individuals in control of the Whitehall Funds  
22 to be the owners of Votecco and file applications for findings of suitability. In addition, the Board  
23 and Commission required Goldman Sachs to provide to the Board a letter of non-involvement that  
24 detailed Goldman Sachs' agreement that it would not try to influence the Whitehall Funds'  
25 executives in respect of their management and control of the Las Vegas Hilton. In this way, the  
26 Board and Commission captured in the licensing process those individuals in the Whitehall Funds  
27 who were responsible for overseeing the investment in the Las Vegas Hilton.

28           The Commission's wisdom in allowing this modification of the "Votecco" licensing  
structure to allow large financial institutions to invest in the Nevada gaming industry has paid

1 significant dividends. Subsequent to the approval of the Goldman Sachs Whitehall Funds'  
2 investment in the Las Vegas Hilton, Credit Suisse through its subsidiary, DLJ Merchant Banking,  
3 Inc. was approved to invest with the Morgans Hotel Group in the purchase of the Hard Rock  
4 Hotel and Casino in January 2008. Deutsche Bank was approved to own The Cosmopolitan At  
5 Las Vegas in October 2010, and Deutsche Bank and JP Morgan were approved to invest in  
6 Station Casinos, Inc. in 2011.

7 The Board's and the Commission's willingness to accept and approve the "Voteco"  
8 licensing structure for both private equity firms and large financial institutions has resulted in the  
9 investment of tens of billions of dollars directly into the Nevada gaming industry from sources  
10 that chose not to invest in the Nevada gaming industry previously. These private equity firms and  
11 large financial institutions brought stability to the Nevada gaming industry during the economic  
12 recession. Their financial resources and commitment to not only maintain, but to improve the  
13 properties they invested in, have been instrumental in the recovery and stability of Nevada's  
14 gaming industry. As examples, Apollo and TPG, through Caesars Entertainment Corporation,  
15 have reinvested hundreds of millions of dollars during this time upgrading their properties (such  
16 as the Cromwell), purchasing new properties (like Planet Hollywood) and developing new  
17 concepts (like The Linq). Deutsche Bank not only spent more than a billion dollars completing  
18 the construction of The Cosmopolitan At Las Vegas, but after its opening, Deutsche Bank  
19 continued to reinvest tens of millions of dollars and underwrite substantial losses to create a  
20 viable property whose potential will now be realized by its new owner, The Blackstone Group.

21 The Board's and Commission's faith in the "Voteco" licensing structure has certainly  
22 been rewarded and the Nevada gaming industry has benefited from it. Since it was first approved  
23 16 years ago, the "Voteco" licensing structure has not created any regulatory issues or problems.  
24 As the Board and Commission have become more comfortable with the "Voteco" licensing  
25 structure, they have relaxed some of their earlier mandates involving individuals who are required  
26 to own the Voteco and be found suitable. The Board and Commission now focus more on the  
27 individuals who oversee the investments in the Nevada gaming licensees by the private equity  
28 firms and large financial institutions rather than on the individuals who actually control the  
private equity firms and large financial institutions. The Board and Commission have recognized  
that the representatives of the private equity firms and large financial institutions who oversee the

1 investments are the individuals who actually interface with the gaming licensees and possess the  
2 power to control or influence management and operations.

3 As evidenced above, the "Votecco" licensing structure has proven extremely valuable in  
4 encouraging investment in the Nevada gaming industry from private equity firms and large  
5 financial institutions. The one drawback to the "Votecco" licensing structure is the requirement  
6 that an entity in the ownership chain be a PTC as defined in NRS 463.487. In most of the  
7 transactions that have utilized the "Votecco" licensing structure, there was no actual PTC involved  
8 in the initial ownership chain. Therefore, in order to avail themselves of the "Votecco" licensing  
9 structure, most of the private equity firms and large financial institutions have been required to  
10 create a new entity and have that entity registered with the Securities and Exchange Commission  
11 ("SEC") on a Form 10. The Form 10 entity satisfies the definition of a PTC pursuant to NRS  
12 463.487 even though it does not list its securities on a public stock exchange. There is little SEC  
13 oversight given to Form 10 companies because the SEC's major regulatory focus is on protecting  
14 public shareholders.

15 The purpose of the proposed Regulation 15C is to eliminate the requirement of having a  
16 PTC in the "Votecco" licensing structure. Regulation 15C relieves the Board's staff, especially the  
17 Corporate Securities Division, of the considerable and duplicative amount of work related to  
18 drafting, reviewing and preparing amendments to numerous Orders of Registration for Form 10  
19 companies. Additionally, Regulation 15C provides interested parties with a single regulation  
20 setting forth all of the requirements to be a Private Investment Company which replaces the PTC  
21 in the "Votecco" licensing structure.

22 Pursuant to proposed Regulation 15C, the "Votecco" licensing structure would remain in  
23 place without the requirement of a PTC. Instead, a Private Investment Company, as defined in  
24 the regulation, would issue two classes of securities. One hundred percent (100%) of the non-  
25 voting economic securities of the Private Investment Company would be held, directly or  
26 indirectly, by (i) one or more private investment funds that are managed by an investment  
27 manager or managers, which investment manager or managers have more than one billion dollars  
28 in assets under management or (ii) one or more institutional investors as defined in Regulation  
16.010(14) that each has assets of more than one billion dollars. One hundred percent (100%) of

1 the voting securities of the Private Investment Company would be held by one or more legal  
2 entities that is controlled by one or more controlling persons or key executives as defined in the  
3 regulation and (iii) the Private Investment Company does not meet the definition of “publicly  
4 traded corporation” in NRS 463.487. The proposed regulation also provides the following:

- 5 1. Relevant definitions (15C.010).
- 6 2. Requirements for a Private Investment Company to maintain ownership records  
7 for holders of economic and voting securities, a detailed description of the information a Private  
8 Investment Company has to provide to the Board and if requested by the Board, a non-  
9 interference letter (15C.050).
- 10 3. Individual licensing requirements for key executives and employees, as well as  
11 procedures for removing such individuals if they are found unsuitable (15C.060).
- 12 4. Suitability requirements and procedures for persons acquiring beneficial or record  
13 ownership of any economic or debt security in a Private Investment Company (15C.070).
- 14 5. Restrictions with respect to any person who is found unsuitable, fails to file for a  
15 license or finding of suitability when required or has their license or finding of suitability revoked  
16 (15C.080).
- 17 6. Powers of the Commission to call any individual forward who it determines has a  
18 material relationship to, or involvement with, a Private Investment Company (15C.090).
- 19 7. Reports and financial information which must be filed with the Commission, the  
20 establishment of a gaming compliance program, the maintenance of a revolving investigative fund  
21 and the obligation to furnish any other documents or information deemed relevant by the Board  
22 (15C.100).
- 23 8. Requirement for approvals for dividends and distributions (15C.200).
- 24 9. Administrative Approval required for certain issues or transfers by beneficial  
25 owners of a Private Investment Company (15C.210).
- 26 10. Administrative Approval required for certain issues or transfers by the beneficial  
27 owners, affiliates and subsidiaries of a Private Investment Company (15C.220).
- 28 11. Commission approval required for all issues or transfers by the beneficial owners  
of voting securities of a Private Investment Company (15C.230).
12. Prohibition of Private Investment Company issuing voting securities without prior  
Commission approval (15.240).

1 13. Penalties for non-compliance with laws and regulations (15C.300).

2 14. Exemptions by either Commission or the Board in the application of Regulation  
3 15C (15C.310).

4 As previously mentioned, proposed Regulation 15C would provide significant benefits for  
5 private equity firms, large financial institutions and the Board.

6  
7 The formation and maintenance of a Form 10 SEC reporting company is very expensive  
8 and associated costs can, over a few years, exceed a million dollars. In addition, the SEC requires  
9 Form 10 companies to file a significant amount of proprietary financial information concerning  
10 the operations of the licensee(s) they have invested in. The public availability of this proprietary  
11 financial information has adversely affected some private equity firms and large financial  
12 institutions. Private equity firms and large financial institutions can provide the same information  
13 to the Board pursuant to the confidentiality protections provided by the Gaming Control Act and  
14 in fact, are required to provide much of that information pursuant to the provisions of the  
15 proposed Regulation 15C. Therefore, adoption of proposed Regulation 15C will eliminate the  
16 cost and expenses incurred to form and maintain a Form 10 company and will protect proprietary  
17 financial information from unnecessarily being made public while at the same time providing  
18 similar information to the Board and Commission.

19 The requirement of having a PTC in the "VoteCo" licensing structure requires the staff of  
20 the Board's Corporate Securities Division to review all of the forms and related documents  
21 necessary to register a Form 10 company with the SEC in the course of their investigation, to  
22 review any changes to the Form 10 company during the course of its existence, to draft Orders of  
23 Registration for the Form 10 companies which include numerous conditions, prepare amendments  
24 to those Orders of Registration to reflect actions taken by the Form 10 company and its affiliates,  
25 and monitor compliance by the Form 10 company with the conditions and requirements of its  
26 Order of Registration and any amendments thereto. All of these duties and responsibilities utilize  
27 valuable staff time which could be allocated in a more productive manner. Proposed Regulation  
28 15C will alleviate much of that workload.



1 Proposed Regulation 15C would also provide the gaming industry and any interested  
2 parties with a single regulation which sets forth all of the requirements to be a Private Investment  
3 Company and the responsibilities and obligations for a Private Investment Company after its  
4 approval. This clear regulatory guidance will provide private equity firms and large financial  
5 institutions with an understanding of the qualifications necessary to become a Private Investment  
6 Company and the procedures they must follow to obtain any required regulatory approvals. By  
7 codifying the "Votecco" licensing structure and providing clarity to the process, new private equity  
8 funds and large financial institutions may be encouraged to invest in the Nevada gaming industry.

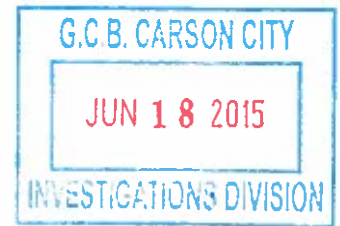
9 In summary, proposed Regulation 15C would maintain the "Votecco" licensing structure  
10 that has been so successful in generating tens of billions of dollars in investments for the Nevada  
11 gaming industry from private equity firms and large financial institutions. The one significant  
12 departure from the current "Votecco" licensing structure is the elimination of the requirement that  
13 there be a PTC in the "Votecco" structure. The perceived regulatory benefits in having a PTC  
14 were the belief that there would be SEC oversight of the Form 10 companies and that the  
15 production of financial and other information required to be filed by the Form 10 companies with  
16 the SEC would assist the Board in monitoring those companies. Since the Form 10 companies are  
17 usually not engaged in the public trading of their securities, the SEC, whose major focus is on  
18 protecting public shareholders, provides limited oversight of Form 10 companies. Proposed  
19 Regulation 15C requires the Private Investment Company to provide the Board with much of the  
20 same information a PTC would be required to file with the SEC. Therefore, the perceived  
21 regulatory advantages of having a PTC in the "Votecco" licensing structure have been minimized  
22 or addressed in proposed Regulation 15C.

23 DATED this 17th day of June, 2015.

24 PREPARED AND SUBMITTED BY

25 BROWNSTEIN HYATT FARBER SCHRECK, LLP

26   
27 Frank A. Schreck  
28



**REGULATION 15C**  
**PRIVATE INVESTMENT COMPANIES**

**15C.010 Definitions. As used in Regulation 15C:**

**1. "Private investment company" defined.**

"Private investment company" means any privately held legal entity except a natural person which holds or applies for a license, or owns, directly or indirectly, a beneficial interest in any corporation, firm, partnership, limited partnership, limited-liability company, trust or other form of business organization which holds or applies for a license, and which has the following characteristics:

(a) 100% of the economic securities of the private investment company are held, directly or indirectly, by (i) one or more private investment funds that are managed by an investment manager or managers, which investment manager or managers collectively have more than one billion dollars in assets under management or (ii) one or more institutional investors as defined in Regulation 16.010(14) that each has assets of more than one billion dollars;

(b) 100% of the voting securities of the private investment company are held by one or more legal entities that is controlled by one or more controlling persons or key executives of the investment managers or institutional investors; and

(c) The private investment company does not meet the definition of "publicly traded corporation" in NRS 463.487.

**2. "Control" defined.**

"Control," when used as a noun, means the possession, direct or indirect, of the power to direct or cause the direction of management and policies of a person, and when used as a verb means to possess, directly or indirectly, such power.

**3. "Controlling person" defined.**

"Controlling person" means, with respect to a private investment company, each person who controls the private investment company.

**4. "Economic security" defined.**

"Economic security" means a non-voting interest which entitles the holder to the economic benefits, without the right to control or vote, of a corporation, firm, partnership, limited partnership, limited-liability company, trust or other form of business organization.

**5. "Key executive" defined.**

"Key executive" means any person performing a principal business or policy making function for a business organization, as determined by the Board on a case by case basis.

**6. “Private investment fund” defined.**

“Private investment fund” means a business entity exempted from registration under 15 USC § 80a-3(c).

**7. “Voting security” defined.**

“Voting security” means an interest which entitles the holder to vote for the election of a member or members of the board of directors or board of trustees of a corporation or a comparable person or persons in the case of a partnership, limited-liability company, or other form of business organization.

**15C.020 Powers of Board and Commission.** The Board shall have full and absolute power and authority, to the extent permitted by law, to recommend the granting, denial, limitation, conditioning, restriction, revocation, or delay of any license, registration, approval, or finding of suitability required or permitted by this regulation, or any application therefor, or to recommend other disciplinary action for any cause deemed reasonable by the Board. The Commission shall have full and absolute power and authority, to the extent permitted by law, to grant, deny, condition, restrict, revoke, suspend, or delay any license, registration, approval, or finding of suitability required or permitted under this regulation, or any application therefor, or to take other disciplinary action for any cause deemed reasonable by the Commission.

**15C.030 Burden of proof.** The burden of proof with respect to the granting of any approval required or permitted by Regulation 15C is at all times upon the person applying for such approval. Each applicant shall satisfy the Board or the Commission, as the case may be, that the granting of an approval is consistent with the state policies regarding gaming set forth in NRS 463.0129, and, as applicable, 463.489, 463.563, and 463.573.

**15C.040 Exemptions from certain requirements.** Private investment companies are exempt from the requirements of NRS 463.482 to 463.645, and Regulations 8, 15, 15A and 15B. However, the legal entities that own the voting securities of the private investment company shall be registered and found suitable by the Commission as holding companies and shall be subject to NRS 463.575 to 463. 615 and Regulations 8, 15.585.7-1 to 15.585. 7-7, 15A.170 to 15A.190, and 15B.170 to 15B.190.

**15C.050 Private investment companies owning or controlling applicant or licensee; Duties of power of Board and Commission to investigate.**

1. If a corporation, partnership, limited partnership, limited-liability company or other business organization applying for or holding a state gaming license is or becomes owned in whole or in part or controlled by a private investment company, or if a private investment company applies for or holds a state gaming license, the private investment company shall:

(a) Maintain a ledger in its principal office or the principal office of its subsidiary which is licensed to conduct gaming in this state, which must:

(1) Reflect the ownership of record of each holder of economic securities and voting securities in the private investment company; and

(2) Be available for inspection by the Board and the Commission and their authorized agents at all reasonable times without notice.

(b) Register with the Commission and provide the following information to the Board:

(1) The organization, financial structure and nature of the business of the private investment company, including the names of all key executives and employees actively and directly engaged in the administration or supervision of the activities of the gaming licensee, and the names, addresses and percentage ownership interest held of record by each economic security holder and each voting security holder;

(2) The rights and privileges accorded the holders of different classes of its authorized economic securities and voting securities;

(3) The terms on which its economic securities and voting securities are to be, and during the preceding three years have been, offered by the private investment company to the public or otherwise initially issued by it;

(4) The terms and conditions of all its outstanding loans, mortgages, trust deeds, pledges or any other indebtedness or security device, directly relating to the gaming activities of the gaming licensee;

(5) The extent of the economic securities and voting securities of record in the private investment company of all key executives and any employees, and any payment received by any such person from the private investment company for each of its three preceding fiscal years for any reason whatever;

(6) Remuneration exceeding \$100,000 per annum to persons other than key executives and employees who are actively and directly engaged in the administration or supervision of the gaming activities of the gaming licensee;

(7) Bonus and profit-sharing arrangements of the private investment company directly or indirectly relating to the gaming activities of the gaming licensee;

(8) Management and service contracts of the private investment company directly or indirectly relating to the gaming activities of the gaming licensee;

(9) Options existing or from time to time created in respect of its economic securities and voting securities;

(10) Balance sheets, certified by independent public accountants, for at least the three preceding fiscal years, or if the private investment company is less than three years old, balance sheets from the time of its formation;

(11) Profit and loss statements, certified by independent certified public accountants, for at least the three preceding fiscal years, or, if the private investment company is less than three years old, profit and loss statements from the time of its formation;

(12) A description of the private investment company's affiliated companies and intermediary companies, and the various gaming licenses and approvals obtained by those entities; and

(13) Any further information within the knowledge or control of the private investment company which either the Board or the Commission may deem necessary or appropriate for the protection of this state, or licensed gambling, or both. The Board or the Commission may make such investigation of the private investment company or any of its key executives, interest holders or other persons associated therewith as it deems necessary.

(c) Upon request of the Board, furnish to the Board a non-interference letter, in a form acceptable to the Board, which provides that the institutional investors described in Regulation 15C.010(1)(b) will not take any action to influence the controlling persons or key executives described in Regulation 15C.010(1)(b), as applicable, in the exercise of their management or voting rights in respect of the gaming activities of the private investment company or any of its affiliated, intermediary or subsidiary companies, and that such controlling persons or key executives, as applicable, are authorized to exercise such rights independently of, and without consultation with, the investment managers.

2. If the private investment company is a foreign legal entity, it must also qualify to do business in this state.

**15C.060 Individual licensing of key executives and employees; removal from position if found unsuitable or if license is denied or revoked; suspension of suitability by Commission.**

1. Each key executive and employee of a private investment company who the Commission determines is or is to become actively and directly engaged in the administration or supervision of, or have any other significant involvement with, the gaming activities of the private investment company or any of its affiliated, intermediary or subsidiary companies must be found suitable therefor and may be required to be licensed by the Commission.

2. If any key executive or employee of a private investment company required to be licensed or found suitable pursuant to subsection 1 fails to apply for a gaming license or finding of suitability within 30 days after being requested to do so by the Commission, or is denied a license or is not found suitable by the Commission, or if his or her license or the finding of his or her suitability is revoked after appropriate findings by the Commission, the private investment company shall immediately remove that key executive or employee from any office or position wherein the key executive or employee is actively and directly engaged in the administration or supervision of, or has any other significant involvement with, the gaming activities of the corporation or any of its affiliated or intermediary companies. If the Commission suspends the finding of suitability of any key executive or employee, the private investment company shall, immediately and for the duration of the suspension, suspend that key executive or employee

from performance of any duties wherein the key executive or employee is actively and directly engaged in administration or supervision of, or has any other significant involvement with, the gaming activities of the private investment company or any of its affiliated or intermediary companies.

**15C.070 Suitability of persons acquiring beneficial or record ownership of any economic security or debt security in private investment company; report of acquisition; application; penalty.**

1. Each person who acquires beneficial ownership or record ownership of any direct or indirect interest in any economic security in a private investment company which is registered with the Commission may be required to be found suitable in the discretion of the Commission.
2. Each person who acquires beneficial or record ownership of any direct or indirect interest in any debt security in a private investment company which is registered with the Commission may be required to be found suitable in the discretion of the Commission.
3. Any person required by the Commission or by this section to be found suitable shall:
  - (a) Apply for a finding of suitability within 30 days after the Commission requests that the person do so; and
  - (b) Together with the application, deposit with the Board a sum of money which, in the opinion of the Board, will be adequate to pay the anticipated costs and charges incurred in the investigation and processing of the application, and deposit such additional sums as are required by the Board to pay final costs and charges.
4. Any person required by the Commission or this section to be found suitable who is found unsuitable by the Commission shall not hold directly or indirectly the beneficial or record ownership of any economic security or debt security.
5. As used in this section, "debt security" means any instrument generally recognized as a corporate security representing money owed and reflected as debt on the financial statement of a legal entity.

**15C.080 Remuneration, contracts and employment prohibited for certain unsuitable or unlicensed persons.** If any person who is required, pursuant to this regulation, to be licensed or found suitable because of the person's connection with a corporation, partnership, limited partnership, limited-liability company or other business organization holding a license, or a holding company or intermediary company, including a private investment company, fails to apply for a license or a finding of suitability after being requested to do so by the Commission or is denied a license or a finding of suitability, or if the person's license or finding of suitability is revoked, the corporation, partnership, limited partnership, limited-liability company, business organization, holding company, intermediary company or any person who directly or indirectly controls, is controlled by or is under common control with the corporation, partnership, limited partnership, limited-liability company, business organization, holding company or intermediary

company shall not, and any licensee or an affiliate of the licensee shall not, after receipt of written notice from the Commission:

1. Pay the person any remuneration for any service relating to the activities of a licensee, except for amounts due for services rendered before the date of receipt of notice of such action by the Commission. Any contract or agreement for personal services or the conduct of any activity at a licensed gaming establishment between a former employee whose employment was terminated because of failure to apply for a license or a finding of suitability, denial of a license or finding of suitability, or revocation of a license or a finding of suitability, or any business enterprise under the control of that employee and the licensee, holding or intermediary company or registered publicly traded corporation is subject to termination. Every such agreement shall be deemed to include a provision for its termination without liability on the part of the licensee upon a finding by the Commission that the business or any person associated therewith is unsuitable to be associated with a gaming enterprise. Any failure to include expressly such a condition in the agreement is not a defense in any action brought pursuant to this section to terminate the agreement;
2. Enter into any contract or agreement with the person or with a business organization that the licensee knows or under the circumstances reasonably should know is under the person's control which involves the operations of a licensee, without the prior approval of the Commission; or
3. Employ the person in any position involving the activities of a licensee without prior approval of the Commission.

**15C.090 Powers of Commission.** The Commission may determine, upon recommendation of the Board, at the time of initial application by a private investment company, or at any time thereafter, that the public interest and the purposes of the Act require that any individual who has a material relationship to, or material involvement with, a private investment company, affiliated company or a licensee that is subject to the jurisdiction of the Act should apply for a finding of suitability or licensing. A person may be deemed to have a material relationship to, or material involvement with, a private investment company, affiliated company or licensee if he is a controlling person or key executive of the private investment company, affiliated company or licensee, or if he, as an agent, consultant, advisor or otherwise, exercises significant influence upon the management or affairs of the private investment company, affiliated company or licensee. The foregoing powers of the Commission are not limited to individuals having a formal and direct involvement or relationship with a private investment company, affiliated company or licensee, nor to individuals who are beneficial owners of any stated percentage of the outstanding economic securities of a private investment company, affiliated company or licensee.

**15C.100 Required reports and statements; income tax return; documents filed with Commission.**

1. After a private investment company has registered pursuant to this chapter, and while the private investment company or any of its affiliated, intermediary or subsidiary companies holds a gaming license, the private investment company shall:

(a) Report promptly to the Commission in writing any change in its key executives or employees who are actively and directly engaged in the administration or supervision of the gaming activities of the private investment company or any of its affiliated, intermediary or subsidiary companies;

(b) Each year furnish to the Commission a profit and loss statement and a balance sheet of the private investment company as of the end of the year, and, upon request of the Commission therefor, a copy of the private investment company's federal income tax return within 30 days after the return is filed with the Internal Revenue Service. All profit and loss statements and balance sheets must be submitted within 120 days after the close of the fiscal year to which they relate;

(c) Quarterly report to the Board, in writing, any changes in ownership of record of its economic securities, and highlight the changes in ownership;

(d) Establish and maintain a gaming compliance program for the purpose of, at a minimum, performing due diligence, determining the suitability of relationships with other entities and individuals, and to review and ensure compliance by the private investment company, its subsidiaries and any affiliated entities, with the Act, as amended, the Regulations, as amended, and the laws and regulations of any other jurisdictions in which the private investment company, its subsidiaries and any affiliated entities operate. The gaming compliance program, any amendments thereto, and the members of the compliance committee, at least one such member who shall be independent and knowledgeable of the Act and the Regulations, shall be administratively reviewed and approved by the Chairman of the Board or his designee. The private investment company shall amend the gaming compliance program, or any element thereof, and perform such duties as may be assigned by the Chairman of the Board or his designee, related to a review of activities relevant to the continuing qualification of the private investment company, its subsidiaries and any affiliated entities under the provisions of the Act and the Regulations;

(e) Fund and maintain with the board a revolving fund in such amount as the Board shall determine for the purpose of funding investigative reviews by the Board for compliance with the Act and the Regulations and any conditions imposed upon the private investment company by the Board or the Commission. Without limiting the foregoing, the Board shall have the right, without notice, to draw upon the funds of said account for the payment of costs and expenses incurred by the Board and its staff in the surveillance, monitoring, and investigative review of the private investment company and its subsidiaries, and their affiliated entities; and

2. In addition to the requirements set forth in subsection (1), upon request of the Board Chairman, the private investment company shall provide any other documents, papers, reports, or other information deemed relevant by the Board Chairman.

**15C.200 Approvals required for dividends and distributions.** Without the prior approval of the Commission, neither the private investment company, nor any of its affiliated, intermediary or subsidiary companies who have been found suitable by the Commission pursuant to Regulation 15C.070, shall declare any dividends or distributions on any class of securities to any



person who has not been licensed or found suitable by the Commission; provided, however, that any of the foregoing entities may, with the prior administrative approval of the Chairman of the Board or his designee, pay dividends and make distributions to their direct or indirect equity owners who have not been licensed or found suitable by the Commission for the purpose of defraying tax liabilities and tax-related expenses of such direct or indirect equity owners that arise directly out of such direct or indirect ownership interest, and further provided that any of the foregoing entities may, upon five days prior written notice to the Board, make distributions to their direct or indirect equity owners who have not been licensed or found suitable by the Commission for the purpose of the payment of debt service by such direct or indirect equity owners for debt incurred in connection with the acquisition of any licensed subsidiary or the assets comprising a licensed establishment.

**15C.210 Administrative approval required for certain transfers of economic securities in private investment companies.** Each person, other than a private equity fund, who acquires beneficial ownership or record ownership of any direct or indirect interest in any economic security in a private investment company which is registered with the Commission shall not, without the prior administrative approval of the Board Chairman, sell, assign, transfer, pledge or otherwise dispose of any economic security of such private investment company, or any other security held by it that is convertible or exchangeable into an economic security of the private investment company.

**15C.220 Administrative approval required for certain transfers of economic securities in affiliates and subsidiaries of private investment companies.** Each person who acquires beneficial ownership or record ownership of any direct or indirect interest in any economic security in any affiliate or subsidiary of a private investment company which is registered with the Commission, and who has been found suitable by the Commission pursuant to Regulation 15C.070, shall not, without the prior administrative approval of the Board Chairman, sell, assign, transfer, pledge or otherwise dispose of any direct or indirect economic security of such affiliate or subsidiary of the private investment company, or any other security held by it that is convertible or exchangeable into an economic security of the affiliate or subsidiary of the private investment company.

**15C.230 Commission approval required for transfers by the beneficial owners of voting securities of private investment companies.** Each person who acquires beneficial ownership or record ownership of any direct or indirect interest in any voting security in a private investment company which is registered with the Commission, and who has been found suitable by the Commission shall not, without the prior approval of the Commission, sell, assign, transfer, pledge or otherwise dispose of any voting security of such private investment company, or any other security held by it that is convertible or exchangeable into a voting security of the private investment company.

**15C.240 Commission approval required to issue voting securities.** A private investment company which is registered with the Commission shall not issue voting securities, or any other security that is convertible or exchangeable into a voting security, without the prior approval of the Commission.

**15C.300 Penalties for noncompliance with laws and regulations.** If any corporation, partnership, limited partnership, limited-liability company or other business organization holding a license is owned or controlled by a private investment company subject to the provisions of this chapter, or that private investment company, does not comply with the laws of this state and the regulations of the Commission, the Commission may in its discretion do any one, all or a combination of the following:

1. Revoke, limit, condition or suspend the license of the licensee; or
2. Fine the persons involved, the licensee or the private investment company in accordance with the laws of this state and the regulations of the Commission.

**15C.310 Exemptions.**

1. The Commission may, either generally or specifically, exempt a person, a security, a transaction, or any portion thereof, from the application of Regulation 15C or any portion thereof if the Commission determines that such exemption is consistent with the purpose of the Act.
2. The Commission may by its order, from time to time, delegate to the Board the power to grant exemptions from the application of Regulation 15C, to the extent, and within the scope, specified in such order.